

applications and authorizations listed on Exhibit 1.1B, or as an owner and/or operator of the Assets and the Station, and Buyer will not take any action which would cause such disqualification. Should Buyer become aware of any such facts, it will promptly notify Seller in writing thereof and use its best efforts to prevent any such disqualification.

4.6 Litigation. There is no judgment or order of any administrative body or court presently outstanding against Buyer and/or its affiliates, subsidiaries or parent corporation which might affect Buyer's ability to consummate the transactions contemplated by this Agreement (including without limitation timely payments of all amounts to become due under the Promissory Note) or which may question the validity of Buyer's execution of this Agreement or of any action taken or to be taken by Buyer pursuant to or in connection with any of the provisions of this Agreement and no such judgment or order is pending or, to the knowledge of Buyer, threatened.

## ARTICLE V

### CONDITIONS PRECEDENT

5.1 Conditions Precedent to Buyer's Obligation Hereunder. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to satisfaction (unless waived in writing by Buyer) of the following conditions precedent:

(a) Seller shall have performed and complied with all agreements set forth in this Agreement to be performed or complied with by Seller prior to or at the Closing including, without limitation, the agreements and conditions provided in Section 7.1(a).

(b) All representations, warranties and covenants of the Seller in this Agreement shall be true and correct as of the date hereof and as of the Closing Date, unless otherwise provided by this Agreement.

(c) All requisite consents by third parties, including the FCC and other government agencies and instrumentalities, to Seller's assignment to Buyer of the permits, licenses, leases, and other executory contracts of Seller requiring such consents, all as indicated on Exhibit 3.1, shall have been obtained.

(d) Buyer shall be able to obtain at Buyer's sole cost, if Buyer so elects, an Owner's Title Insurance Policy guaranteeing Buyer's title to all real property owned or leased by Seller in connection with its operation of the Station including, without limitation, the interests in real property described and referenced on Exhibit 1.1D attached hereto, subject only to the Permitted Encumbrances and the Standard Printed Exceptions.

5.2 Conditions Precedent to Seller's Obligations Hereunder. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to satisfaction (unless waived in writing by Seller) of the following conditions:

(a) Buyer shall have performed and complied with all agreements set forth in this Agreement to be performed or complied with by Buyer prior to or at the Closing including, without limitation, the agreements and conditions provided in Section 7.1(b).

(b) All representations, warranties and covenants of Buyer in this Agreement shall be true and correct as of the date hereof and as of the Closing Date, unless otherwise provided by this Agreement.

(c) All requisite consents by third parties, including the FCC and other government agencies and instrumentalities, to Seller's assignment to Buyer of the permits, licenses, leases, and other executory contracts of Seller requiring such consents, all as indicated on Exhibit 3.1, shall have been obtained.

(d) Seller shall be able to obtain at Seller's sole cost, if Seller so elects, a Mortgagee's Title Insurance Policy, in the amount of the Promissory Note, with respect to all real property covered by the Owner's Title Insurance Policy referenced in Section 5.1(d) hereof.

## ARTICLE VI

### FCC APPROVAL

6.1 FCC Approval and Procedure. It is understood that the Closing of this transaction is subject to prior written consent of the FCC including the grant by the FCC of any waivers required under the FCC's Rules and Regulations. The parties shall join in and file with the FCC, within three (3) days from the date hereof, a joint application requesting the FCC's written consent to the

assignment to Buyer as contemplated herein of the FCC permits and licenses and other authorizations for the Station (the "Application"). Each of the parties hereto shall diligently take or cooperate in the taking of all reasonable steps that are necessary or appropriate to expedite the prosecution and favorable consideration of the Application. Each party has been and shall be independently advised by its own counsel and each shall pay its own legal, engineering, accounting and/or other fees and expenses in connection with the preparation and prosecution of the Application and the transactions contemplated hereby, except as otherwise expressly provided herein. Seller will provide all local advertising required by the FCC with respect to the filing of the Application. The costs of publishing notice and any filing, grant or other fees which may be levied by the FCC in connection with this transaction will be paid one-half (1/2) by Seller and one-half (1/2) by Buyer.

6.2 Failure to Receive FCC Approval. If, within 60 days from the date of public notice by the FCC that the joint application referred to in Section 6.1 hereof has been accepted for filing by the FCC, the FCC shall have failed or refused to grant the written consent referred to in Section 6.1 hereof, then either of the parties hereto may terminate this Agreement upon at least ten (10) days written notice to the other; provided, however, that the Closing has not already taken place and such notice of termination is given prior to the date on which such consent shall have been granted and become a Final Order (as hereinafter defined); and provided further, that the party giving such notice shall not be in default under any provisions of this Agreement, which default is the basis for the failure or refusal of the FCC to grant such consent. After any such termination as provided in this Section 6.2, no party to this Agreement shall have any liability to any other party with respect to the subject matter hereof (except with respect to the last sentence of Section 6.1), and this Agreement shall be deemed to have no further force and effect.

6.3 Final Order. For the purpose of this Agreement, a "Final Order" shall mean action by which the FCC consents to the assignment as above described, which action is no longer subject to review or reconsideration by the FCC or to judicial review.

## ARTICLE VII

### CLOSING MATTERS

7.1 Procedures. Upon the satisfaction, or waiver in writing of satisfaction by the party entitled to the benefits thereof, of the conditions precedent set forth in Sections 5.1 and 5.2 hereof, respectively, Buyer and Seller shall cause the Closing to take place, as provided herein.

(a) At the Closing, the obligations of Seller shall be as follows (and the performance of such obligations shall be a condition to the obligations of Buyer to be performed at the Closing):

(i) Seller shall deliver to Buyer a certificate of one of Seller's executive officers confirming the matters referenced in Section 5.1(b) hereof;

(ii) Seller shall execute and deliver to Buyer the Bill of Sale and such other endorsements, assignments and instruments of conveyance in recordable form as may reasonably be requested by Buyer effectively to vest in Buyer good, indefeasible and unencumbered title, subject to the Permitted Encumbrances, in and to the Assets including, without limitation, the Special Warranty Deed and the Assignment of Leases;

(iii) Seller shall deliver to Buyer an Affidavit that Seller is not a "foreign person" (as defined in Internal Revenue Code Section 1445(f)(3) and regulations issued thereunder);

(iv) Seller shall deliver to Buyer true copies of duly adopted corporate resolutions authorizing this transaction in accordance with Section 3.1; and

(v) Seller shall, jointly with Buyer, deliver instructions to Broker regarding release of the deposits (in the aggregate amount of \$25,000 plus any interest and other income earned thereon) from escrow;

(b) At the Closing, the obligations of Buyer shall be as follows (and the performance by Buyer of such obligations shall be a condition precedent to the obligations of Seller to be performed at the Closing):

(i) Unless Buyer shall elect to pay the balance of the Purchase Price in cash as provided in Section 1.3(c), Buyer shall deliver to Seller the Promissory Note referred to in Section 1.3(b) hereof;

(ii) Buyer shall pay to Seller the amount stated in Section 1.3(b) in the manner set forth therein;

(iii) Buyer shall deliver to Seller a certificate of one of Buyer's executive officers confirming the matters referenced in Section 5.2(b) hereof;

(iv) Buyer shall execute and deliver to Seller the Assumption Agreement;

(v) Buyer shall deliver to Seller true copies of duly adopted corporate resolutions authorizing this transaction in accordance with Section 4.2;

(vi) Buyer shall, jointly with Seller, deliver instructions to Broker regarding release of the deposits (in the aggregate amount of \$25,000, plus any interest and other income earned thereon) from escrow;

(vii) Buyer shall execute and deliver to Seller (A) a Security Agreement substantially in the form of Exhibit 7.1A attached hereto (the "Security Agreement"), (B) a Deed of Trust substantially in the form of Exhibit 7.1B attached hereto, and (C) UCC-1 financing statements covering the Collateral (as defined in the Security Agreement); and

(viii) Buyer shall execute and deliver to Seller a Lease Agreement in the form of Exhibit 7.1C attached hereto.

7.2 Timing. All deliveries made and other acts performed at the Closing shall be deemed to have occurred simultaneously.

## ARTICLE VIII

### COVENANTS

8.1 Seller's Covenants and Agreements. Seller from and after the execution and delivery of this Agreement to and including the earlier to occur of the termination of this Agreement or Closing:

(a) Shall operate the Station and conduct the business thereof in the ordinary and usual course, subject to the restrictions contained in this Agreement, and substantially in accordance with past practices and the terms of the FCC permits and licenses and all applicable laws, rules and regulations, including those of the FCC;

(b) Shall not take any action which would in any material manner interfere with the carrying out of the transactions contemplated by this Agreement;

(c) Without Buyer's prior written consent, shall not make any arrangement for any new, additional or increased benefits plan or any similar plan relating to Seller's Employees or make any changes in management or personnel policies, including vacation policies;

(d) Without Buyer's prior written consent, shall not enter into any contract or commitment relating to the business of the Station or the Assets, except contracts or commitments entered into in the ordinary course of the business of the Station.

(e) Without Buyer's prior written consent, shall not enter into any agreements for the sale of time to advertisers or advertising agencies except upon rates consistent with those charged in the past by Seller in the ordinary course of business for similar agreements and shall not accept any prepayments for advertising services to be rendered after the Closing ;

(f) Without Buyer's prior written consent, shall not sell, transfer, convey, lease, mortgage, hypothecate or otherwise dispose of or encumber any material Assets except in the ordinary course of business of the Station;

(g) Shall use its reasonable best efforts in the ordinary course of business and to the extent consistent with its existing policies and practices, to maintain and preserve intact the organization and business of the Station and to preserve for Buyer the relationship and goodwill of its suppliers, advertisers, advertising agencies, Employees, listeners, and others having business relationships with the Station; and

(h) Upon three (3) business days' prior written notice, Seller shall give to Buyer and its counsel, accountants, engineers and other representatives reasonable access to all of Seller's properties, books, contracts, documents and records pertaining to the Station and the Assets,

and shall furnish Buyer with all such information concerning the affairs of Seller pertaining to the Station and the Assets as Buyer may reasonably request.

8.2 Covenant of Further Assurances. After the Closing, and without further consideration, each of Buyer and Seller shall execute, acknowledge and deliver such further instruments of conveyance, transfer, assumption of liabilities and record and take such other actions as the other may reasonably request in order to complete the transactions contemplated by this Agreement.

8.3 Access to Records Following Closing. Buyer agrees that for a period of two (2) years following the Closing Date it will, and will cause its counsel and independent public accountants to afford to representatives of Seller, including Seller's counsel and accountants, upon three (3) business days' prior written notice, reasonable access to all books, records, files, documents and all other information and data relating to the assets, properties, business and operations of the Seller relating to the operation of the Station prior to the Closing as Seller may from time to time reasonably request.

8.4 Assumption of Seller's Obligations Under Certain Agreements. On and after the Closing Date, Buyer will assume and perform the obligations of the Seller specified in Section 1.4 hereof and under those contracts and agreements and other commitments of the Seller itemized, described or referenced in Exhibit 1.1C attached hereto.

8.5 Survey. As soon as reasonably practical after the date of this Agreement, Buyer at its sole cost may obtain a survey (the "Survey") of the real property owned and/or leased by Seller in connection with the operation of the Station prepared by a licensed and registered surveyor acceptable to Buyer.

8.6 Title Commitment. As soon as reasonably practical after the date of this Agreement, Buyer at its sole cost may obtain an Owner's Title Policy Commitment dated after the date hereof relating to the real property owned and/or leased by Seller in connection with Seller's operation of the Station, the Title Commitment to specify all easements, liens, encumbrances, restrictions, conditions or covenants with respect to the real property owned and/or leased by Seller,

and shall also obtain true, complete and legible copies of all documents referred to as exceptions to title in the Title Commitment to the extent available.

8.7 Buyer's Title Objections. In the event any exceptions or other matters appear in the Title Commitment other than the Standard Printed Exceptions set forth in the Standard Texas Form of Commitment for Title Insurance, or in the event that the Survey shows any other matter that is unacceptable to Buyer in its reasonable judgment, Buyer shall, within ten (10) days after the last to be received of the Survey, the Title Commitment and true, complete and legible copies of all documents referred to in the Title Commitment as exceptions to title, notify Seller in writing of such fact and the reasons therefor ("Buyer's Title Objections"). Upon the expiration of said ten (10) day period, Buyer shall be deemed to have accepted all exceptions to title and all other matters shown on the Title Commitment and the Survey (except for the Buyer's Title Objections if same are timely raised) and such exceptions and matters shall be included in the term "Permitted Encumbrances" as used herein. If Seller is timely notified of Buyer's Title Objections, Seller shall use its reasonable efforts to cure and satisfy same; provided, however, nothing herein shall be construed to obligate Seller to bring any action or proceeding or to incur any expense in excess of \$1,000 to eliminate or cure Buyer's Title Objections. In the event Seller is unable to eliminate or cure Buyer's Title Objections to the satisfaction of Buyer within thirty (30) days following Seller's receipt thereof, Buyer may (as its sole and exclusive remedy) terminate this Agreement by notice in writing to Seller within ten (10) days following the expiration of such thirty (30) day period, and if such notice is not received by Seller within such ten (10) day period Buyer shall be deemed to have waived the Buyer's Title Objections and Buyer shall then accept such title as Seller can deliver without any reduction in the Purchase Price, in which event such uncured Buyer's Title Objections shall be included in the term "Permitted Encumbrances" as used herein. In the event of termination pursuant to this paragraph, the parties hereto shall have no further rights or obligations hereunder (except with respect to the last sentence of Section 6.1), and the \$25,000 in deposits (and all interest and other income earned thereon) shall be returned to Buyer.



**ARTICLE IX**  
**INDEMNIFICATION**

**9.1 Indemnification.**

(a) **By Seller.** For a period of one year following the Closing Date, Seller shall indemnify, defend and save Buyer, its affiliates, successors, directors, officers and assigns, harmless against and from all liabilities, claims, losses, damages, costs and expenses (including reasonable attorneys' fees) resulting from (i) the conduct of business and operation by Seller of the Station prior to the Closing Date, and (ii) any misrepresentation or breach of any agreement, covenant or warranty by Seller contained in this Agreement. Furthermore, in no event shall Seller be liable to Buyer hereunder for any amount in excess of the Purchase Price.

(b) **By Buyer.** For a period of one year following the Closing Date, Buyer shall indemnify, defend and save Seller, its affiliates, successors, directors, officers and assigns harmless against and from all liabilities, claims, losses, damages, costs, and expenses (including reasonable attorneys' fees) resulting from (i) the operation by Buyer of the Station on and after the Closing Date, and (ii) any misrepresentation or breach of any agreement, covenant or warranty by Buyer contained in this Agreement.

**9.2 Claims Pursuant to Indemnities.**

(a) If any claim ("Asserted Claim") covered by the foregoing indemnities is asserted against any indemnified party ("Indemnatee"), the Indemnatee shall promptly give the other party ("Indemnitor") notice thereof and give Indemnitor an opportunity to control negotiations toward resolution of such claim without the necessity of litigation and, if litigation ensues, to defend the same with counsel reasonably acceptable to Indemnatee, at Indemnitor's expense, and Indemnatee shall cooperate fully in connection with such defense. Indemnatee shall be entitled to participate in, but not to control, the defense of an Asserted Claim resulting in litigation, at its own cost and expense, if such claim exceeds \$10,000. If Indemnitor fails to assume control of the negotiations prior to litigation or to assume the defense of such action in litigation within 30 days of the time Indemnitor receives notice from the Indemnatee of the

Asserted Claim, Indemnitee shall be entitled, but not obligated, to assume control of such negotiations or defense of such action, and Indemnitor shall be liable to Indemnitee for its expenses reasonably incurred in connection therewith, including reasonable attorneys' fees and disbursements;

(b) In the event that any Indemnitee shall have reasonably concluded that an action, suit or proceeding involves to a significant extent matters beyond the scope of the indemnity agreement contained in Section 9.1, the Indemnitor shall not have the right to direct the defense of such action, suit or proceeding on behalf of such Indemnitee and only that portion of fees and expenses reasonably related to matters covered by the indemnity agreement contained in Section 9.1 shall be borne by the Indemnitor;

(c) In the event that any Indemnitee shall have reasonably concluded that there may be defenses available to such Indemnitee which are different from or additional to those available to the Indemnitor, the Indemnitee shall be entitled to assume control of such defenses and the reasonable expenses incurred by Indemnitee in connection therewith shall be borne by the Indemnitor;

(d) The Indemnitee shall be kept fully informed of all actions, suits or proceedings at all stages thereof. The parties hereto agree to render to each other such assistance as they may reasonably require of each other in order to ensure the proper and adequate defense of any such action, suit or proceeding; and

(e) The Indemnitor shall not make any settlement of any claims without the written consent of the Indemnitee.

9.3 Remedies Cumulative. The remedies provided for in this Article IX shall be cumulative and shall not preclude assertion by the Indemnitee of any other rights or the seeking of any remedies against the Indemnitor.

## ARTICLE X

### MISCELLANEOUS PROVISIONS

10.1 Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or on the date postmarked when mailed by certified or registered mail, first class, postage prepaid, addressed:

If to Seller to:

Landrum Enterprises, Inc.  
1905 West Loop  
El Campo, Texas 77437  
Attn: J. H. Landrum

With a copy to:

Andrews & Kurth  
4200 Texas Commerce Tower  
Houston, Texas 77002  
Attn: Sarah W. Ray

If to Buyer to:

Chameleon Radio Corporation  
10865 Rockley Road  
Houston, Texas 77099  
Attn: Don Werlinger

or to such other address as may hereafter be specified by written notice given by either party to the other.

10.2 Applicable Law. This Agreement has been executed and delivered in the State of Texas, and it shall be governed by and construed and enforced in accordance with the laws of said State (other than the choice of law principles thereof).

10.3 Assignment. Buyer shall have the right, upon written notice to Seller, to assign its interest under this Agreement to an "affiliate" of Buyer (as that term is defined in the regulations promulgated under the Securities Exchange Act of 1934). No other assignments of any interest by either party in this Agreement are permitted without the prior written consent of the other party.

10.4 Parties in Interest. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors and permitted assigns.

10.5 Costs and Expenses. Except as otherwise provided herein, each party shall bear its own expenses and costs in connection with the negotiation, performance or compliance with the terms of this Agreement; provided, however, that if any party is required to institute litigation to enforce the provisions of this Agreement or any agreement executed in connection herewith, the prevailing party shall be entitled to recover its reasonable attorneys' fees from the non-prevailing party.

10.6 Captions. Captions are for convenience only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

10.7 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall together constitute one and the same instrument and shall become effective when one or more counterparts hereof have been signed by the Buyer and delivered to the Seller and one or more of the counterparts hereof have been signed by the Seller and delivered to the Buyer.

10.8 Modification and Waiver. No modification or waiver of any of the provisions of this Agreement shall be valid or effective unless in writing and executed by the party against whom any such modification or waiver is sought to be enforced. The waiver by any party of any breach or default committed or suffered by the other party hereto shall not be deemed a waiver of any subsequent breach.

10.9 Survival of Representations and Warranties. All representations and warranties made herein or pursuant hereto or in connection with the transactions contemplated hereby shall survive the Closing for a period of one year following the Closing Date.

10.10 Broker's Fees. Seller shall be solely responsible for the payment of any fees owing to Broker as a result of the consummation of the transactions contemplated in this Agreement.

10.11 Entire Agreement. This Agreement, including the Exhibits delivered pursuant hereto, constitutes the entire Agreement of the parties hereto and supersedes all previous agreements and understandings, whether oral or written. This Agreement may be changed, terminated or

discharged only by an instrument in writing signed by the party against whom enforcement of a change, termination or discharge is sought.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LANDRUM ENTERPRISES, INC.

By: 

J. H. Landrum, President

CHAMELEON RADIO CORPORATION

By: 

Name: DON WERLINGER

Title: President

## EXHIBIT LIST

### Exhibit

1.1A	Personal Property
1.1B	Licenses and Permits
1.1C	Agreements and Contracts
1.1D	Real Property Interests
1.3	Promissory Note
1.4	Assumption Agreement
3.1	Consents and Approvals
3.2	Defaults
3.3A	Liens, Claims and Encumbrances
3.3B	Bill of Sale and Assignment
3.3C	Special Warranty Deed
3.3D	Assignment of Leases
3.3E	Insurance Policies
3.6	Litigation
3.7A	Employees
3.7B	Employee Plans
7.1A	Security Agreement
7.1B	Deed of Trust
7.1C	Lease Agreement



APPENDIX 18



## LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made and entered into by and between CATHRYN LONG CLARK, Independent Executrix of the Estate of John G. Long, Deceased, and JAMES M. ALLEN, Independent Administrator of the Estate of Mary Adams Long, Deceased, hereinafter called "Lessor" and NORTH STAR COMMUNICATIONS, INC., a Texas Corporation, hereinafter called "Lessee".

### WITNESSETH:

#### I.

Lessor is the owner of that land described in Exhibit A attached hereto such land being hereinafter referred to as the "Leased Premises." There is located on the Leased Premises a radio studio building and transmitter tower (hereinafter referred to as the "Improvements") which have been sold by Bay Broadcasting, Ltd., a Texas limited partnership to Lessee by bill of sale of even date herewith. Neither of such Improvements constitute a part of the Leased Premises. However, this Lease establishes particular obligations of Lessee and rights of Lessor with respect to the Improvements. Lessor hereby leases to Lessee, and Lessee leases from Lessor the Leased Premises subject to the terms and conditions hereof.

#### II.

The term of this lease shall commence on the 22nd day of August, 1988, and shall terminate on the 21st day of August, 2013, unless sooner terminated as provided herein.

#### III.

Lessee shall pay to Lessor as the base rental for the Leased Premises during the term hereof monthly installments of \$625.00 each, on the 1st day of each month during the term hereof commencing on the 1st day of September, 1988. All rental and other amounts of money to be paid by Lessee to Lessor shall be payable in Bay City, Matagorda County, Texas, at such specific address as may be designated by Lessor. The aforesaid base rental amount shall be subject to increase in the event the ad valorem taxes or any special assessments on the Leased Premises shall be increased by

any applicable taxing authority for any period of time above the amount of the ad valorem taxes for the year of 1988. The agreed allocated sum of the ad valorem taxes assessed by all taxing authorities on the Leased Premises for the year of 1988 is \$1,216.90. In the event of any such tax increase or special assessment, Lessor shall give to Lessee written notice of each such increase. The amount of the increase in such taxes and the amount of any special assessment for the year in which such increase in taxes or special assessment becomes initially applicable shall be paid by Lessee to Lessor prior to the end of such year. Thereafter, 1/12 of the amount of each such increase shall be added to each of the subsequent twelve monthly installment payments due hereon for each calendar year or part thereof of the term hereof commencing on the first day of January of the year following each such increase in taxes or special assessment. The aforesaid rental amount shall be in addition to the payment and performance by Lessee of all additional obligations imposed on and assumed by it, herein.

If the term of this Lease commences on other than the first day of a calendar month, then the installment of base rental for such month shall be prorated and the installment so prorated shall accrue and be paid on the first day of the next calendar month after the lease term commences. The payment for such prorated month shall be calculated by multiplying the rental by a fraction, the numerator of which shall be the number of days of the lease term occurring during said commencement month and the denominator of which shall be the total number of days occurring in said commencement month.

Effective as of the fifth anniversary of the commencement date of the term of this Lease, and on each fifth anniversary date thereafter, the base rental shall be adjusted and each adjustment shall be based on the United States Consumer Price Index for all Urban Consumers (the "CPI-U Indicator") as published bi-monthly, by the Bureau of Labor Statistics, U. S. Department of Labor. Such adjustment shall be determined by dividing the CPI-U Indicator in effect on each fifth anniversary date then in effect by the CPI-U Indicator published five years prior to the subject adjustment date and multiplying the resultant number by the annual base rental amount then in

effect; provided however, the adjusted annual base rent increase shall in no event be less than ten percent (10%) or more than fifteen percent (15%) of the most recent annual base rental amount.

#### IV.

Lessee shall use the Leased Premises for the purpose of conducting thereon a radio broadcast business and all activities incidental thereto. Lessee shall not be entitled to use the Leased Premises for any other purpose or purposes without the prior written consent of Lessor.

#### V.

Lessee, at its expense, shall comply with all federal, state municipal and other laws, ordinances, rules and regulations applicable to the Leased Premises and the business conducted thereon by it. Lessee shall further comply with all reasonable regulations as Lessor may require regarding matters of sanitation and cleanliness. Lessee shall not conduct its business on the Leased Premises in such a manner which could cause the hazard insurance coverage on the Leased Premises to be canceled; will not make any unlawful use of the Leased Premises and will not conduct its business on the Leased Premises in such a manner as to create a violation of any law or ordinances; and will not commit or allow to be committed any act on or about the Leased Premises which is a nuisance to Lessor, the owners of adjacent property, those persons in the general vicinity at the Leased Premises, or which might tend to injure or depreciate the Leased Premises.

#### VI.

Water is presently made available to the Leased Premises by a water well existing thereon. Lessee shall be obligated to maintain and repair such well at its sole expense, and Lessor shall not have any responsibility with respect thereto.

#### VII.

Lessee will use all reasonable efforts to not permit any mechanic's lien or liens to be placed upon the Leased Premises, the Improvements or any other property placed on the Leased Premises. If a mechanic's lien is filed on the Leased Premises, the Improvements or any other property on the Leased Premises, Lessee will promptly pay the lien. If default in payment of the lien continues for thirty (30) days after written notice from Lessor to Lessee; Lessor may, at his option, pay

the lien or any portion of it without inquiry as to its validity. Any amount paid by Lessor to remove a mechanic's lien filed against the Leased Premises, the Improvements or any other property on the Leased Premises, including expenses and interest, shall be due from Lessee to Lessor and shall be repaid to Lessor immediately upon delivery of written notice, together with interest at the rate of ten percent (10%) per annum until repaid.

#### VIII.

Lessee shall, at its own expense and cost, keep the Improvements now or hereafter located on the Leased Premises and all appurtenances thereto, including the heating, air conditioning, electrical and plumbing system, in reasonably good repair and safe condition.

#### IX.

Lessee shall permit and allow Lessor or his representatives in and upon the Leased Premises from time to time to inspect the same and make such repairs to the Improvements as Lessor shall deem necessary for the proper protection and preservation thereof and Lessor's security interest therein, but this provision shall in no event obligate Lessor to make any such repairs, and any damages resulting from a failure to make proper repairs and to keep the Improvements in reasonably good and safe condition shall be the sole liability and obligation of Lessee. In the event Lessor elects to make any such repairs to the Improvements, after having first given to Lessee ten (10) days advance written notice of any deficiency in the Improvements, and Lessee has failed to make such repairs specified by Lessor within such period of time; then the cost and expense of such repairs incurred by Lessor shall thereupon become an obligation of Lessee to Lessor and shall be paid to Lessor, together with interest thereon at the rate of ten percent (10%) per annum within thirty (30) days after written demand therefor.

#### X.

Lessee acknowledges that it has thoroughly examined the Leased Premises and the Improvements and made an adequate inspection thereof, and therefore accepts the Leased Premises together with the Improvements thereon in the condition in which the same now exist. Therefore, Lessor shall not be liable to Lessee, or any other persons for personal injuries or death or for damage

to property due to any condition of the Leased Premises or to the condition or design or any defect in the Improvements which may exist or subsequently occur; and Lessee, with respect to itself and its agents, employees, servants and invitees, hereby assumes all risk of injuries or death to persons and damage to property, either proximate or remote by reason of the present or future condition of the Leased Premises or the Improvements. Lessee agrees that it will indemnify and hold Lessor harmless of, from, and against all suits, claims, and actions of every kind by reason of any breach, violation, or non-performance of any of the terms or conditions on the part of Lessee hereunder. Additionally, Lessee agrees to indemnify and hold Lessor harmless of, from, and against all claims, actions, damages, liabilities, and expenses asserted against Lessor on account of injuries or death to persons or damage to property when and to the extent that any such damage, injury or death may be caused, either proximate or remote, wholly or in part by any act or omission, whether negligent or not, of Lessee or any of its agents, servants, employees, contractors, patrons or invitees or of any other person entering upon the Leased Premises under or with the express or implied invitation of Lessee, or if any such injury, death or damage may in any way arise from or out of the occupancy or use by Lessee, its agents, employees, and invitees of the Leased Premises.

#### XI.

Lessee shall deliver to Lessor a waiver of subrogation from each of the insurance companies issuing policies insuring the Improvements and all other property of Lessee which may exist at any time on the Leased Premises. Accordingly, in the event of any damage or destruction to any of Lessee's property on the Leased Premises, it agrees to look solely to its insurance for recovery; and, in behalf of any insurer providing insurance to it with respect to its property on the Leased Premises, it hereby waives any right of subrogation which said insurer may have or acquire against Lessor by virtue of payment of any loss under such insurance.

#### XII.

Lessee agrees to maintain at its own cost and expense throughout the term hereof public liability and property damage insurance in an amount and with a company reasonably acceptable to Lessor. Such policy shall name Lessor and Lessee as the insureds and shall be non-cancellable with

respect to Lessor except after thirty (30) days advance written notice. A copy of such policy shall be delivered to Lessor.

#### **XIII.**

Lessee hereby grants to Lessor a lien and security interest on the Improvements and on all other fixtures and personal property at anytime situated in or upon said Leased Premises to secure the payment of all rentals and other obligations payable and to become payable to Lessor hereunder and to secure the performance of all obligations of Lessee hereunder. This lien shall be cumulative of and in addition to all other express liens and security interests granted by Lessee to Lessor and to the landlord's lien and any and all other liens existing under any statute or law to secure the same, none of said liens being waived.

#### **XIV.**

If Lessee should fail to completely vacate the Leased Premises upon the expiration or termination of this lease, then Lessee shall pay as liquidated damages an amount equal to twice the regular monthly installments of rental for each month which it fails to vacate said premises. No holding over by Lessee after the termination or cancellation of this lease shall operate to extend the term of this lease for a period longer than one (1) month.

#### **XV.**

Lessee shall be in default under this Lease Agreement upon the occurrence of any one or more of the following events or conditions (herein called "Event of Default"):

A. Failure to pay the full amount of rental or any other payment required hereunder within ten (10) days after written notice of such failure is delivered by Lessor to Lessee; provided, however, that such ten (10) days notice period shall be inapplicable after Lessor has delivered notice of such failure to pay rent or any other payment to Lessee three (3) times during the term of this lease, in which event default hereunder shall occur upon the failure of Lessee to pay the full amount of rental or any other payment on the date required without the necessity of prior notice of such failure having been given to Lessee.

B. The failure of Lessee to perform or comply with any of its other obligations hereunder within thirty (30) days after written notice of such specific failure to perform or to comply having been delivered by Lessor to Lessee.

C. Lessee's dissolution, termination, of existence, insolvency or business failure, or an assignment by Lessee for the benefit of creditors or the commission of act of bankruptcy, or the institution of voluntary or involuntary bankruptcy proceedings, or the taking over of Lessee's leasehold interest in this lease by a receiver for Lessee or the placing of Lessee's leasehold interest in this lease in the custody of any court or an officer or appointee thereof.

#### XVI.

Upon the occurrence of an Event of Default as set forth in Paragraph XV hereof, Lessor shall be entitled to the following remedies:

A. Lessor may accelerate the rent for the balance of the term hereof and declare the entire amount thereof immediately due and payable.

B. Lessor may elect to terminate this lease.

C. Lessor may elect, without terminating this lease, to terminate Lessee's right to possession of the Leased Premises. In such event, Lessor may rent the Leased Premises or any part thereof to any person or persons at such rental (granting reasonable concessions if necessary) and for such period of time as Lessor determines practicable, for the account of Lessee, and credit to Lessee any rental thus received, less the expenses of repossession, preparing the Leased Premises for reletting and the reletting thereof. Lessee shall be liable for any deficiency of such rental below the total rental herein provided for the unexpired balance of the term, and such sum or sums shall be paid by Lessee in monthly installments on the rental payment dates as specified herein. Suits to enforce such liability may be brought by Lessor at any time and from time to time on one or more occasions. Lessor shall in no event be liable for failure to relet the Leased Premises; or if the Leased Premises are reletted, for failure to collect the rent under such reletting.

D. Irrespective of whether Lessor elects to terminate this lease or, without terminating the lease, to terminate Lessee's right to possession of the Leased Premises; Lessor may, without additional notice and without court proceedings, re-enter and repossess the Leased Premises and may, at Lessor's option, retain all Improvements, other fixtures, and all personal property thereon or Lessor may remove at Lessee's expense all of said Improvements, other fixtures and personal property from the Leased Premises, using such force as may be reasonable necessary, Lessee hereby waiving any claim arising by reason of such re-entry, repossession or removal or by reason of issuance of any distress warrant or writ of sequestration and agreeing to hold Lessor harmless of any such claims.

Each right and remedy to which Lessor may be entitled upon the occurrence of an Event of Default, including those expressly set forth herein, those set forth in any other documents executed in connection herewith, and those granted by law, are cumulative; and, upon an occurrence of an Event of Default, Lessor may proceed, at his option, with any one or more available remedies with respect to this Lease Agreement. Any act or omission to act by Lessor in connection with any such available remedy or remedies shall not constitute an election of remedies or the waiver or abandonment of any other remedy.

#### XVII.

Neither the acceptance of rent by Lessor nor the failure by Lessor to complain of any action, non-action or default of Lessee shall constitute a waiver of any of Lessor's rights hereunder. Waiver by Lessor of any right for any default of Lessee shall not constitute a waiver of any right for either a subsequent default of the same obligation or for any other default.

#### XVIII.

Any notices or communications to be given to either party hereunder shall be given in writing and may be effected by personal delivery or by registered or certified United States mail with postage prepaid as follows:

In the case of Lessor:

Cathryn Long Clark, Executrix  
Box 690  
Van Vleck, Texas 77482



In the case of Lessee.

North Star Communications, Inc.  
3900 Essex Lane, Suite 1100  
Houston, Texas 77027

Either party hereto may designate by the prescribed written notice to the other a different address with respect to notices to be furnished to such party.

If notice is effected by personal delivery hereunder, the date and hour at which such delivery was effected shall fix the time of giving of notice. In the event notice is effected by registered or certified United States mail hereunder, the date and hour that the envelope (properly addressed, sealed and with postage prepaid) containing such notice is deposited with a registry clerk of any United States Post Office in Matagorda County, Texas shall fix the time of giving of notice.

**XIX.**

Upon the expiration of the term of this lease, Lessee shall be obligated to remove from the Leased Premises the Improvements and all fixtures and other property thereon unless an Event of Default exists hereunder at such time. If an Event of Default exists: then, at Lessor's option, Lessee shall either remove all of the Improvements, fixtures and other property from the Leased Premises, or shall allow all of such Improvements, fixtures and other property to remain on the Leased Premises.

**XX.**

If any provision of this lease shall ever be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this lease, but such other provisions shall continue in full force and effect.

**XXI.**

Lessee shall not assign the Leased Premises or any part thereof or mortgage, pledge or create any security interest in its leasehold interest, or grant any concession or licenses within the Leased Premises except under the following conditions:

- A. Delivery of written notice to Lessor of the proposed assignment or at least thirty (30) days prior to the proposed date thereof, together with the name, address and complete financial statement of the proposed assignee or sub-lessee;